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# Stock Participation Plans *for* Employees



*A Survey by*
Industrial Relations
Bloomfield's Labor Digest




BLOOMFIELD & BLOOMFIELD
*Consultants in Industrial Relations*
6 BEACON STREET, BOSTON 9, MASS.

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# INDEX

# A Survey of Stock Participation Plans for Employees*

[*Specially Prepared by* INDUSTRIAL RELATIONS, Bloomfield's Labor Digest.]

Many employers are experimenting with stock participation in the hope that thereby will be secured the active interest of their employee-stockholders through creating a sense of proprietorship in the business. Also stock participation is often urged in place of the ordinary profit-sharing schemes because in the former the possibility of "loss sharing" is added, whereas it has been found practically impossible to attach loss sharing features to the common profit-sharing plans. It is urged in some quarters that the employee will be encouraged to work with much greater zeal if he foresees the possible loss of dividends than if he sees merely extra profits with no chance of losses.

There are two general classes of stock participation plans, those that require payments out of wages for the stock (whether paid for in full or not), and those that give the stock to the employee either directly as a bonus, or take such bonus money as is not a real part of wages in payment for stock.

Unfortunately the former type is difficult to work successfully unless it is presented as an investment plan. Many concerns with such plans limit them to salaried officials who have larger incomes and can be presumed to be able to justify taking this financial risk with a small part of the income if they so choose. They also may be presumed to understand better the nature of the risk they are taking.

## Make Your Plan Clear

When an employer sells or gives stock of the company to his employees, the action should be clear-cut. There should be no attempt to conceal the nature of the transaction. To anyone acquainted with financial matters the distinction between putting money in a business and investing it for safety is too obvious to require definition. But to the ordinary employee this distinction not only is obscure but often is beyond comprehension. When the employer puts his stock participation scheme before his employees as a thrift plan or investment, therefore, there is every probability that it will be taken at its face value until the real nature of the risk is called forcibly to the attention of the employees by untoward conditions. In creating the impression that a stock participation plan is in the nature of a thrift scheme the employer is not only assuming a grave moral responsibility for the savings of his employees but he is doing an act of very doubtful expediency.

One experience such as the employee-stockholders of a certain large industrial company, for instance, have had since the war in the collapse of

the value of their investments in a financial crisis, nullifies the educational value of encouragement of real investments of savings in a hundred sound thrift plans and shakes the confidence of people of slender means all over the country in investing their savings. A multiplication of such experience would surely tend to drive the pennies of the poor back into their stockings.

There is every reason to believe that plans, properly presented in their true light, would prove of incalculable service towards the realization of the ideal of co-operation between employers and employees and also of immense educational value in teaching the fundamentals of industrial economics.

## Taking Part in the Enterprise

It is conceivable that if stock participation plans were presented in such a light that their failures would serve as object lessons of the financial risks of business instead of occurrences to be apologized for, and their successes always explained as periods when surpluses must be built up for the "seven lean years to come" the teaching would be normal and wholesome. But apart from such possibilities there is the immediate advantage of having employees feel that they are taking a real part in the proprietorship of the company and are in a position to participate in its successes. Wherever this spirit is implanted in a body of employees it is a poor manager indeed who cannot realize at least a fair proportion of successful years.

## Do Not Mix Stock and Bonus

Provided the dividends on the stock are not mixed with and concealed by bonuses and other gifts from the company, so that a true measure of the success of the concern is apparent, this point can be brought very clearly before the employees. If bonuses are also given they should be kept quite distinct in order to allow the plan to tell its complete story to the stockholders. This applies in the case of salaried officials as well as all ranks of employees, for a lesson to be fully understood must be presented in the clearest form possible and not be beclouded by side issues.

## When the Employee Leaves

A complicated question always arises with regard to repurchasing the stock or refunding partial payments in case the employee leaves the service. When the stock has been given outright, as is done at the Dennison Manufacturing Company, usually a special class of stock for employees is created which has no market value. In such cases either cash is given for the stock or else it is replaced at an agreed ratio by another class of stock which is marketable, when the holder leaves the service. When marketable issues on the other hand are distributed either gratuitiously or for partial or complete payments it is merely a question of expediency whether it shall be repurchased by the company or not. If the employee has received his shares with full understanding that they represent an investment in a business venture there would seem to attach

to the plan no moral obligation on the employer to buy back the stock at par or at the original price if the market value has declined since the purchase. Certainly the company seldom will be called upon to repurchase at the original price if the market value has risen.

The payment of a bonus to employees who have purchased or have been given marketable stock, and who hold it during the year, is sometimes thought to be necessary in order to induce the employees to continue to hold it. Strangely enough experience on this point indicates that employees more often sell in panic if there is a sudden drop in market value in order to protect their savings from further shrinkage, than sell on a rising market to realize profits. This merely proves more pointedly that employees usually consider stock purchase as an investment of savings and act accordingly.

## Analysis of the Plans

For the purposes of this study, special information of about eighty-three plans for selling stock to employees has been secured. These have been classified according to the basis on which the employees secured the stock, whether at market value, par value, a discount from the prevailing rates, or as a gift.

### TYPE I.—STOCK SOLD AT MARKET VALUE

Twenty-one plans have been analyzed in which companies sell stock to their employees at market value. Only two of them were started before 1918. In every case but one, the railroads which have stock-selling schemes disposed of shares on this basis. The New York Central Railroad Company, for instance, in offering its employees an opportunity to buy stock on easy terms, states that "inasmuch as all the stock issued is in the hands of the public, the company has none for sale, and will arrange for the purchase of the stock, ordered under the plan, in the open market."

The various schemes on the whole follow similar lines. Usually an employee may participate regardless of his position, but a short period of service is not infrequently required. The Hydraulic Steel Company of Cleveland stipulates three months, the Hilo Varnish Company of Brooklyn, five years. Three to six months is more common than any longer time. The Hydraulic Steel Company is unique in limiting the stock-buying privilege to American citizens or aliens who have taken out first papers. Some companies extend it according to the "judgment of the management" (Standard Parts Company, Cleveland) or to "selected employees (Thomas Devlin Manufacturing Company, Burlington, N. J.). Procter & Gamble covers, in the more liberal of its stock-selling plans, only those receiving pay under $2,000 a year and excludes salesmen and traveling representatives. Common stock is the usual type offered and a definite block of several thousand shares is often set aside for the purpose.

In these cases in which stock is sold at market value, a chief point made to the employees is the fact that they can pay for their purchases on the installment plan. A small initial payment may or may not be required. Thereafter small weekly or monthly deductions from pay are made until the stock is paid for. $1.00 per share per month is a figure often fixed. Interest is charged on unpaid balances and dividends credited against them, while the stock generally remains in the hands of the company until it is entirely paid for. The largest amount of stock which employees may buy under these plans is usually prescribed. A number of shares may be fixed, varying according to wages or some such specification may be made as that the amount purchased shall not be greater than the annual salary. The limits permitted may be very low, as two to ten shares according to wages.

## Guarantees of Future Value

Guarantees of future value are seldom found. The Gulf Coast Lines guarantee the maintenance of six per cent dividends while the stock is being paid for, the Thomas Devlin Company guarantees value during the same period, and Procter & Gamble offers to return the money paid in, plus six per cent interest if the stock falls below cost within six years from date of purchase. On the other hand, the New York Central expressly disclaims any guarantee as to future dividends or value.

Arising from the necessity of keeping the control of the company in approved hands comes an occasional provision such as is found in the plan of the Fuller & Smith advertising agency of Cleveland, that an employee wishing to sell his stock must allow the company an option on its purchase at the cost to him plus ten per cent.

Elaborate provisos are included in the plans as to the return of payments, if the employee leaves the company, dies, or wishes to discontinue buying shares before his purchase is entirely paid for. The clauses arrange for the return of all money paid in with a fair amount of interest - four to six per cent.

## Bonuses on Stock Purchases

Some companies attempt to increase the desire of their employees to buy stock by giving special financial inducements over and above the dividends. Procter & Gamble, in their scheme for semi-skilled employees, make one of the most liberal of such offers. It credits a profit-sharing dividend of ten per cent of wages if the employee has had one year of service rising gradually to twenty per cent for ten years' service toward the cost of the stock. More often the bonus takes some such form as with the Hercules Powder Company which gives the employee who remains with the company, and holds his stock five years, $4.00 a share a year. The Trumbull Steel Company donates a lump sum of $7.00 per share to employees holding their shares for five years.

The following "Co-Partnership Plan" of the Studebaker Corporation is typical of the more liberal of the methods by which stock is sold to employees at market value.

# Studebaker Co-Partnership Plan

In addition to the plans under which regular employees receive anniversary checks, annual vacations, pensions and life insurance, the directors offer this opportunity whereby employees may become co-partners in the business, and share to a still greater extent, as stockholders, in the profits resulting from its operations. The directors believe that a large increase in the number of employee-stockholders will develop the relation of co-partnership in its broadest sense.

The plan is as follows:

1. Continuous service is necessary to entitle employees to purchase stock of the corporation under the liberal terms of this plan, although absence of thirty days or less due to sickness, vacations, suspension of operations, or leave of absence will not be regarded as interruptions of continuous service. Absences without leave, aggregating six full working days or more in employee's anniversary year, will operate as a rupture of continuous service. Employees who have been absent in the war service will not, thereby, affect their continuous service record.

2. Employees who have been in the service of the corporation for three months or more may have common or preferred stock purchased annually for them by the corporation for their account, in an amount not exceeding three hundred ($300.00) dollars market value of the stock at the time of the purchase, and in the aggregate not exceeding five (5) shares of stock, but in neither case to exceed twenty per cent (20%) of their annual rate of earnings.

3. Applications for purchase of stock must be accompanied by an initial payment of ten per cent of the estimated purchase price, and the remaining forty per cent thereof, which is payable by employees, must be paid in four years in installments of one-fifteenth of the amount every three months after the date of purchase.

4. The corporation will fully absorb the remaining fifty per cent of the cost of the stock (provided employees keep up their payments and remain in its service continuously for four years) by crediting employees' accounts every three months with one-sixteenth of its half of the cost of stock purchased.

5. The following table (which for simplicity excludes interest charges and dividend credits) shows an example of how payments by employees and credits by the corporation will be made, assuming an employee bought one share of common stock on September 1, 1920, at a cost of $100 per share.

(On a percentage basis this table will show the amount of quarterly payment and quarterly credit for a share of stock at any market price.)

| Dates of Payments and of Credits | 50% Payable by Employee $50 Total | | | 50% Payable by Corporation $50 Total | | |
|---|---|---|---|---|---|---|
| | % | Amt. | Total | % | Amt. | Total |
| Sept. 1, 1920 | 10 | $10.00 | .......... | .......... | .......... | .......... |
| Dec. 1, 1920 | 1.15th | 2.67 | $12.67 | 1.16th | $3.13 | .......... |
| Mar. 1, 1921 | 1.15th | 2.67 | 15.34 | 1.16th | 3.13 | $6.26 |
| June 1, 1921 | 1.15th | 2.67 | 18.01 | 1.16th | 3.13 | 9.39 |
| Sept. 1, 1921 | 1.15th | 2.67 | 20.68 | 1.16th | 3.13 | 12.52 |
| Dec. 1, 1921 | 1.15th | 2.67 | 23.35 | 1.16th | 3.13 | 15.65 |
| Mar. 1, 1922 | 1.15th | 2.67 | 26.02 | 1.16th | 3.13 | 18.78 |
| June 1, 1922 | 1.15th | 2.67 | 28.69 | 1.16th | 3.13 | 21.91 |
| Sept. 1, 1922 | 1.15th | 2.67 | 31.36 | 1.16th | 3.13 | 25.04 |
| Dec. 1, 1922 | 1.15th | 2.67 | 34.03 | 1.16th | 3.13 | 28.17 |
| Mar. 1, 1923 | 1.15th | 2.67 | 36.70 | 1.16th | 3.13 | 31.30 |
| June 1, 1923 | 1.15th | 2.67 | 39.37 | 1.16th | 3.13 | 34.43 |
| Sept. 1, 1923 | 1.15th | 2.67 | 42.04 | 1.16th | 3.13 | 37.56 |
| Dec. 1, 1923 | 1.15th | 2.67 | 44.71 | 1.16th | 3.13 | 40.69 |
| Mar. 1, 1924 | 1.15th | 2.67 | 47.38 | 1.16th | 3.13 | 43.82 |
| June 1, 1924 | 1.15th | 2.62 | 50.00 | 1.16th | 3.13 | 46.95 |
| Sept. 1, 1924 | .......... | .......... | .......... | 1.16th | 3.05 | 50.00 |
| Total......... | .......... | .......... | $50.00 | .......... | .......... | $50.00 |

6. From the above table it will be seen that should an employee withdraw from this plan on September 1, 1922, after two years participation, he would have paid $31.36, and his credit from the corporation would be $25.04, making a total of $56.40 against the original cost of the stock, viz., $100.00, leaving an unpaid balance of $43.60. He could pay this balance and receive his stock or, if he so desired, he could order his stock sold at the then prevailing market price and receive cash for the balance to his credit. If, for example, the stock was sold for $110.00 per share, he would receive $66.40, which would be the $31.36 he had paid, plus $35.04, consisting of $25.04 in credits from the corporation, and $10 in profit from the sale of the stock.

7. All stock purchased under this plan will be charged to employees' accounts at cost, and interest will be charged quarterly at the rate of six per cent per year on the unpaid balance of the purchase price, after deducting payments by employees, and credits by the corporation. All cash dividends (and stock dividends paid on the common stock) will be credited to the accounts of employees and the excess of dividend credits over interest charges will act as a reduction in the amount of the final payment to be made by employees in the last year.

8. Stock certificates purchased for the account of employees will be held by the corporation in its name until the expiration of the fourth year when, if payments are completed, they will be delivered to employees.

9. Fractional shares will not be purchased for employees or delivered to them upon settlement of their accounts.

10. Employees will not be allowed to assign or transfer their rights to stock undelivered under this plan, which rights are personal and contingent upon continuous service.

11. As participation in this plan is voluntary and in no way compulsory, employees may, at any time, withdraw from participation, in which event the credits by the corporation will cease as of the quarterly date preceding withdrawal, and will be forfeited altogether if the withdrawal is made inside of six months from the date stock was purchased. Employees who withdraw within six months shall receive the actual amount paid in by them, without deductions or additions. Employees who withdraw after six months may either (1) pay the balance due on the purchase price of their stock and receive stock certificate, or (2) authorize the sale of stock held for them at the prevailing market price, and receive in cash the balance due them, if any, consisting of the difference between the original cost of the stock, plus interest charges, and the payments by employees, credits by the corporation, dividends, and sales proceeds of their stock. Employees withdrawing from the plan shall not be permitted to renew participation within one year thereafter.

12. Employees who resign or are dismissed, or who fail to maintain their installment payments when due, will automatically be withdrawn from the plan on the same basis as above provided for voluntary withdrawal.

13. In the event of the death of a participating employee, his heirs or legal representatives may pay the balance due on his stock, either in full or in installments, and receive stock certificates, or may authorize its sale on the terms herein provided for voluntary withdrawals.

14. Should this plan be permanently discontinued as of December 31, 1921, uncompleted stock purchase transactions then outstanding may be completed by employees under the above terms.

## TYPE II.—STOCK SOLD AT PAR OR, TYPE III.—AT A DISCOUNT

In a greater number of plans, however, the stock is sold to employees at par value or at a discount. As sales at par frequently represent a discount from the market price, the two types are closely allied and will be considered together. Information on forty-five such plans was received in the course of this investigation, only seven of which were started prior to 1918.

Some of the most extensive stock-selling plans fall into this group. The American Telephone and Telegraph Company sold, beginning in 1916, 279,281 shares of stock to 63,480 employees, under its first two plans at a little below the market value. Its third stock purchase scheme, in May, 1921, offered a new issue at par. This company did not pay any sort of bonus. The Goodyear Tire and Rubber Company stated in June, 1920, that nearly 17,000 employees held $11,900,000 of company stock. It offered a bonus of $3.00 a share for five years to employees, over and above dividends on its first two issues of preferred stock.

The United States Steel Corporation began selling stock to its employees in 1903, and was a pioneer in undertakings of the sort. According to the Commercial and Financial Chronicle, up to 1921, 685,231 shares of preferred stock were sold to employees, their aggregate investment being $91,491,842. Many companies have followed the United States Steel Company also in paying bonuses for stock retention, this corporation giving $5.00 a share annually for five years. It has always offered its stock to employees at a few points below the market price.

In selling employees "non-voting debenture stock" the Commonwealth Edison Company of Chicago and the E. I. du Pont de Nemours Co. have made novel departures. But on the whole the features of this group of plans, in terms of payment, guarantees and financial aid by employees, closely resemble the stock-selling plans at which shares are sold at market value.

Following is the 1920 announcement of the United States Steel Corporation together with that of the W. H. McElwain Company in which stock is offered at par under carefully worked out conditions.

## United States Steel Corporation Plan

TO THE OFFICERS AND EMPLOYEES OF THE UNITED STATES STEEL CORPORATION
AND OF ITS SUBSIDIARY COMPANIES:

The corporation again offers to those now actually in the employ of the corporation, or any of its subsidiaries, the opportunity to subscribe for shares of its common stock, not exceeding an aggregate total of 60,000 shares, under the following terms and conditions:

First - All subscriptions shall be made upon the express condition and agreement that all questions concerning the said subscriptions, and the allotments and interests thereunder, shall be decided by the Finance Committee of the United States Steel Corporation in its discretion and such decision shall be final and conclusive upon all parties.

Second - Subscriptions shall be for one or more shares of common stock at the subscription price $106.00 per share.

Third - The following table shows the maximum number of shares which may be subscribed for by employees whose salaries or wages are within the respective limits stated, but employees at their option may subscribe for less than such maximum number of shares.

## Subscriptions to Common Stock

| Employees receiving Annual Salaries of: | May subscribe for a Maximum Number of: |
|---|---|
| $795.00 or less | 1 share |
| 795.01 to $1,766.66 | 2 shares |
| 1,766.67 to 2,473.33 | 3 shares |
| 2,473.34 to 3,975.00 | 4 shares |
| 3,975.01 to 4,858.33 | 5 shares |
| 4,858.34 to 6,890.00 | 6 shares |
| 6,890.01 to 7,950.00 | 7 shares |
| 7,950.01 to 9,010.00 | 8 shares |
| 9,010.01 to 12,587.50 | 9 shares |
| 12,587.51 to 13,912.50 | 10 shares |
| 13,912.51 to 15,237.50 | 11 shares |
| 15,237.51 to 16,562.50 | 12 shares |
| 16,562.51 to 17,887.50 | 13 shares |
| 17,887.51 to 19,212.50 | 14 shares |
| 19,212.51 to 32,860.00 | 15 shares |

## Payment for Stock

Fourth - Payment of subscriptions shall be in monthly installments to be deducted from the salary or wages of the subscriber. The first deduction will be made from April salary or wages. No installment shall be less than $2.00 per share and shall not exceed one-quarter of any one month's salary or wages. Installments exceeding the minimum must be in even dollars. Payment for the stock should be completed within three years. Interest at five per cent per annum will be charged on deferred payments.

## Dividends

Fifth - Until payment of the subscription has been completed, any dividends paid on the stock subscribed for will be credited to the account of the subscriber as part of his payment. After the stock is issued to the subscriber, future dividends will go direct to him.

## Cancellations — Refund of Installments

Sixth - Subscriptions will be cancelled for the following reasons:

(1) By request of subscriber.
(2) By (a) voluntarily leaving the service, or (b) being discharged for cause, or (c) failing to resume employment when requested. (See Section Eleventh.)
(3) By discontinuing payments without the consent of the corporation for three consecutive months.

The cancellation of a subscription forfeits all interest and benefits which the subscriber would have received if he had continued such subscription. There will then be returned to him the full amount of payments made on the subscription so cancelled with interest at five per cent per annum, no credit being given him for dividends or for the special allowance referred to in third paragraph of Section Seventh, and no interest being charged on deferred payments. A subscription may not be cancelled in part.

## Special Benefits

Seventh - When the stock is fully paid for, it will be issued in the name of the subscriber. He may sell his certificate, but as an inducement for him to keep it while he remains in the service, the following offer is made, viz.:

If he will keep the stock and in January of each year, for five years, commencing with January, 1921, will exhibit the certificate to the Treasurer of his company, together with a statement from a proper official that he has been continuously in the employ of the corporation or of one or another of its subsidiary companies during the preceding year, and has shown a proper interest in its welfare and progress he will for each of such five years receive a cash payment at the rate of $5.00 a share for each share of common stock.

Subscribers who may not have fully paid their subscriptions by January in any year, will, if their subscriptions are still in force, and they have otherwise fulfilled all the conditions of continuous and faithful service as provided, be credited in their subscription accounts with the foregoing special allowance of $5.00 per share on their subscriptions for common stock.

## Additional Compensation

Eighth - If a subscriber keeps his certificate and remains continuously in the service for five years, the corporation intends that he shall then receive a still further compensation, which cannot now be ascertained or stated, but which will be derived from the following sources, viz.:

The special allowances referred to in Section Seventh, which, after a subscription is fully paid, are forfeited by:

(a) Transfer of certificate from name of a subscriber, whether intentionally or otherwise;

(b) Voluntarily leaving the service, or being discharged for cause, or failing to resume employment when requested (see Section Eleventh)

will be paid by the corporation into a special fund at the end of each year. This fund will be credited with interest at five per cent per annum and at the end of the five years' period, the total amount thus accumulated will be divided into as many parts as shall be equal to the number of shares of common stock subscribed for hereunder and then remaining in the hands of subscribers who shall have continued in such employ for the whole five years. The corporation will then by its own final determination in its discretion award to each subscriber whom it shall find deserving thereof as many parts of such accumulated fund as he shall be entitled to on basis of the number of shares then held by him under this plan.

## Death or Permanent Disability

Ninth - If a subscriber dies or is permanently disabled while rendering faithful service during such five years' period, payment will be made to his estate or to him, as follows:

(a) If his subscription is fully paid and he has received and not disposed of his certificate of stock, the corporation will pay a sum equal to $5.00 per share for each of the five years not then expired, and also a pro rata amount of the special fund arising from forfeitures, referred to in Section Eighth preceding, which may have accrued at the time of his death or disability.

(b) If his subscription has not been paid in full, the corporation will pay the money theretofore paid in by him on account, together with the dividends paid on the stock subscribed for, the special allowance for the entire five years' period and a pro rata share of the amount of the special fund mentioned, less interest at five per cent per annum on deferred installments.

(c) If at time of decease or permanent disablement, the subscription has been fully paid but certificate not yet delivered, the corporation will turn over the certificate, as first stated above, together with the additional payments mentioned in paragraph (a) preceding.

## Pensioned Employees

A pensioner will not be permitted to subscribe, but any subscriber who is subsequently pensioned may continue payments on his subscription and when fully paid, he will receive the certificate for the stock subscribed for and the payments referred to in paragraph (a) of Section Ninth, provided, however, that as soon as he shall have fully paid his subscription and received his certificate of stock, he will be treated as though permanently disabled and payments will be made to him in accordance with provisions of paragraph (a) Section Ninth.

## Beneficiary

Tenth - A subscriber may name in his subscription as beneficiary the person to whom in the event of his death he desires the corporation to pay all amounts, in connection with his subscription, which would otherwise be payable to his estate. By written notice delivered to the Treasurer of the company by which he is employed he may substitute another beneficiary. The corporation, upon satisfactory proof of death, will, under the conditions of the subscription pay to such beneficiary all amounts in connection with the subscription which would otherwise be payable to the estate of the subscriber. When the beneficiary has been named the subscriber's estate shall have no claim to any such amounts, unless the beneficiary should die before the subscriber, and in that event payment will be made to the subscriber's estate.

## Suspension of Employment

Eleventh - Subscribers whose employment has been suspended by reason of the temporary closing of a plant, and who shall continue ready and willing when required to resume their service, will not be deprived of the special allowance of $5.00 per share per year during such suspension, although they may have accepted employment during such suspension. As presumptive evidence of willingness to resume employment, the corporation will accept (1) from the holders of fully-paid subscriptions, the exhibition of the original certificate in January of each year, and (2) from the holders of partly-paid subscriptions, the retention by them of their subscription during the preceding year.

The above period of suspension will not be counted as part of the three years limited for the full payment of the subscriptions, and during such suspension monthly payments will not be required, though if so desired by the employee they may be continued.

In case of the death during such suspension of any such subscribing and continuing employee, his estate or his beneficiary will be entitled to the same benefits accruing to his subscription as if he had died while under employment.

Failure to present the original certificate as provided, or the withdrawal of a partly-paid subscription, or the failure to resume employment when requested, will constitute a relinquishment of all benefits referred to in this circular.

If a plant or office is permanently abandoned and a subscriber at such plant or office does not continue in the service at another plant or office of the corporation or a subsidiary company, settlement of his subscription accounts will be made as provided in case of pensioned employees, Section Ninth.

Twelfth - Subscriptions will be received until February 29, 1920. and allotment made as soon thereafter as possible.

By order of the Finance Committee,<br>
UNITED STATES STEEL CORPORATION,<br>
Richard Trimble, Secretary.

# W. H. McElwain Company Plan*

***Announcement to Employees***

William H. McElwain founded this business in 1894 and associated with him as partners a small group of men who had faith in his policies. The partnership was succeeded by a corporation, as the size, extent and complexity of the business made this form of organization necessary. It is impossible to go back to the earlier days of actual partnership. It is possible, however, to develop in the greater institution of today the factors that make the relation of partners the closest relation in business life. These factors we need in every department of the business.

With this need in mind we are giving every employee who has for six months been a member of the McElwain team an opportunity to purchase the Second Preferred Stock of the company - to become a joint owner in the McElwain enterprise. He may own an interest in the McElwain factories, the McElwain distributing houses, the McElwain organization, and the McElwain goodwill. He may receive dividends from his financial investment in the business in which he participates. We believe that the employees of the company will welcome this opportunity, and that the response will be general.

What is the stock?

Second Preferred Stock of W. H. McElwain Company. Par, $50 per share Regular dividends 6% ($3.00 per share) annually. Extra dividend limited to 3% ($1.50 per share) annually. In normal times, therefore, the stock pays dividends aggregating 9% ($4.50 per share) each year.

Price $50 per share, plus accrued and unpaid dividends.

The company has a large capital, is conservatively financed, and has never failed in twenty-five years to earn a fair profit. Its First Preferred Stock pays only 7% and is owned by investors. The stock now offered (Second Preferred Stock) has in the past been owned principally by managers, superintendents, foremen, salesmen and other executives. They continue to own their stock. The management will set aside a block of new stock, exactly similar in every respect, for sale to employees of the company. An employee may subscribe for himself or his immediate family. No other subscriptions will be accepted. The right is reserved to withdraw this offer at any time.

First Preferred and Second Preferred Stock have no voting rights except on certain contingencies like a failure to pay dividends on First Preferred Stock, when both classes become entitled to vote.

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***The company has been merged with the International Shoe Co. and plan withdrawn.**

The company cannot, of course, agree to buy back its own stock from employees who purchase it. The company will, however, endeavor to assist any employee, who finds it necessary to sell, in finding a customer among other employees.

If you desire to join the group of men and women, over four thousand in number, who own the McElwain business, please fill out and sign the attached application and hand it to the person in your plant who is designated to receive applications, with the amount of money required. You will receive a receipt which must be surrendered when the certificate of stock has been prepared and is ready for delivery.

Any employees who wish to purchase stock, but are unable to pay for it in full at once, should talk with their foremen on the subject.

J. FRANKLIN McELWAIN,
For the Board of Directors.

June 21, 1920.

NOTE - Regular dividends are payable as follows: 1 1/2% ($0.75 per share) on the first days of February, May, August and November.

Extra dividend is paid in June of each year. It consists of one-fourth of the net earnings of the fiscal year ended May 31, remaining after the payment of 7% on First Preferred Stock and 6% on other classes of stock. Such extra dividend must not exceed 3% in any year.

Including regular and extra dividends, 9% has been paid on Second Preferred Stock in every year since the organization of the company, except 1915, when 7 1/2% was paid.

## TYPE IV.—STOCK GIVEN TO EMPLOYEES

A much greater diversity of features is found when plans which make a gift of stocks to employees are analyzed. For this study special information was obtained regarding sixteen such plans.

Gifts of stock are generally made as part of a bonus or profit-sharing system or in close relation thereto. The schemes vary from very simple outright donations to complex systems of industrial partnership. Henry A. Dix & Company, manufacturers of house dresses in New York, set aside $100,000 of common stock in April, 1920, to be distributed as an annual bonus to selected managers, department heads and foremen. Ten per cent dividends were guaranteed, and the bonus was paid one-fifth in cash and four-fifths in stock. Another simple plan is that of the E. I. du Pont de Nemours Company, which makes awards in stock for "continuous service, in inventions, unusual ability, industry or loyalty." Class A awards are for especially distinguished service of this nature, Class B for less achievements among employees who have worked for the company two years or more.

The Pittsburgh, Butler and Harmony Consolidated Railway and Power Company is reported to have created a trust fund of $1,000,000 in its common stock, the dividends from which were to be divided equally among its four hundred employees. The voting power of the stock was to remain with the president of the company, but the employees were to be permitted to elect three directors to the board. It was believed that in order to make each man's dividend as large as possible an incentive would be created to keep down the number of employees.

As an illustration of a complex scheme for gifts of stock, the project of the Larkin Soap Company of Buffalo, N. Y., may be instanced. In July, 1919, this firm announced that its directors would select employees who had "a sustained interest in the business" and had "demonstrated their value" and divide them into groups. On receiving a favorable vote from ninety per cent of their group, they would become eligible to share in the distribution of $10,000,000 of common stock. Each could hold stock to the amount of a tenth of his annual salary times three years less than his years of service with the company. After a seven per cent dividend on the preferred stock was paid and provision was made for expansion of the company, buying in of common stock and the regular dividend on it, any remaining profits were to be divided equally between the original owners of the business and the employee-stockholders. On leaving the company, except to retire, an employee must, at the option of the firm, sell it his stock for cash, take its six per cent six months note for it or exchange it for second preferred stock.

The Dennison Manufacturing Company has a somewhat similar plan in its "industrial partnership" stock. The following explanation by the company of its system is quoted because of its clear explanation of the underlying philosophy of the plan, and because it represents a ten years' experiment and development.

## Dennison Industrial Partnership Plan

"The chief motives which led us to re-incorporate the Dennison Manufacturing Company in 1911 in the form of an Industrial Partnership were, first, to provide a better means of distribution of whatever profits there might be in excess of a fair return on capital; second, to make certain that the voting power would always remain in the hands of those intimately acquainted with the company's affairs. From the early days of the company, stock had been offered to employees at a figure below its actual value, but this plan proved insufficient, unsatisfactory and unfair in many ways.

"At the time of the change our company had only one kind of stock, which was each year tending more and more to pass out of the hands of those connected with the business. A part of the profits had each year been withheld from dividends in order to provide for the growth of the company, and, therefore, from time to time there had been a distribution of the surplus in the form of stock dividends. The company had passed the stage where the capital invested in it was at greater risk than the normal business risk, and its financing, therefore, required no more than a normal return to capital. Whatever more than this was earned by the organization, neither the needs of the concern nor the demands of justice required to be distributed to the stockholders as such. On the other hand, two considerations pointed to increasing danger in the future. First, the constant spectacle of all fruits of extraordinary efforts on the part of the managers, foremen, or salesmen, being turned over to people who were almost strangers to the company, could only result in a progressive weakening of enthusiasm and loyalty. Second, the steady increase in the proportion of stock held by people unacquainted with the business, pointed to the time when the voting power must inevitably be used for some other purposes besides the permanent good of the company itself. As a measure of safety for the future, then, the form of incorporation was changed.

"The common stock was all converted into a first preferred stock, carrying a fixed cumulative dividend, with preference in assets and dividends, but no rights to accretions. The amount of this stock and the rate of dividend were chosen to represent a fair return on the capital at that time invested in the concern. It was then provided that if there were any profits remaining after these dividends had been fully paid, these profits should be invested in the business and against them issued yearly a stock which we call Industrial Partnership stock.

"Because this Industrial Partnership stock had been earned by the efforts of the organization, not by the mere investment of capital, it became necessary to determine to whom this stock should be issued. In other words, who were the real profit earners in the organization? An analysis so thorough as to deal almost individually with cases of more than two thousand employees led us to the conclusion that profits depended almost solely on such men as sales managers, senior salesmen, department heads, foremen and the like.

"The further task then remained of providing means of specifically designating each year who these individuals were. Originally we used as a criterion the amount of pay received by each and their length of service. Eventually the tremendous changes in the value of the dollar, and more especially the irregular application of these changes among various classes of employees, entirely destroyed the salary line as a true dividing line between those of our employees whose effects upon profits were important and appreciable and those whose effects upon our net profits account were remote and heavily conditioned by the policies of the management. Principal employees are now limited to those who have had five years or more of service and whose position with the company requires the exercise of managing ability and control over methods of manufacturing or marketing, such as an executive, department head, principal foreman, chief clerk, branch manager, or principal salesman; or whose work shows the use of a high degree of imagination, tact or business judgment -- those qualities upon which we believe the constant earning of profits to depend. To the directors is left the application of this rule but the industrial partnership stockholders may from year to year pass votes further defining the directors' methods of choosing. These men are classed as principal employees and to them the industrial partnership stock is issued, if their combined efforts have earned profits in the previous year. To distinguish the relative profit earning power of each one of the men in this class, it was clear that the relative salary was a fair guide, and the stock is therefore issued to them in proportion to the salary they received the previous year.

"In its main outlines this describes the distribution of our profits for the future -- a fixed, sufficient, and cumulative dividend for capital, and all profits in excess of that amount each year to the men who earn those profits. Several qualifying provisions safeguarding this or that point can be found in the agreement of association and by-laws.

"Since its establishment the results of the Industrial Partnership plan have been as follows:

| | Shares Distributed | Number or Principal Employees |
|---|---|---|
| March, 1913 | 15,122 | 167 |
| March, 1914 | 18,604 | 211 |
| March, 1915 | 12,779 | 218 |
| March, 1916 | 12,884 | 228 |
| March, 1917 | 43,752 | 260 |
| March, 1918 | 19,015 | 288 |
| March, 1919 | 30,740 | 320 |
| March, 1920 | 57,363 | 364 |

Average cash dividend rate on outstanding Industrial Partnership stock 10%.

DENNISON MANUFACTURING COMPANY

## Gifts of Stock

Gifts of stock are frequently limited to the more responsible employees, or to those whom the officials deem especially worthy of recognition. The Boston Consolidated Gas Company, which has distributed a bonus in the form of preferred stock for about fifteen years, limits its gifts to selected employees who "show regularity, intelligence and energy" and have worked for the company at least six months, during the past year. In the year ending June 30, 1920, 839 out of 1,357 employees were reported to have qualified.

The president of the Harvard Knitting Mills, which has for two years given a share of profits as "certificates of ownership," has recently complained that only about forty per cent of the beneficiaries have manifested the increased energy and zeal which was expected. It is worthy of note that the mill shares profits in this way with all who have a service record of a year or more. In this connection a comment of the Studebaker Corporation on its various incentive plans may be emphasized. In reply to a question as to "pitfalls to be avoided," a representative of the company answers: "The plan must be strictly adhered to in order that men may not expect to receive these benefits as a matter of course. In other words - the man must realize that there is an obligation upon him which he must discharge in order to merit the benefits set forth."

## SUMMARY

The effectiveness of the plans, discussed in this survey, depends very largely on the way in which they are presented to the employees. It also depends on the number of shares the employees as individuals hold. Those plans which place only two or three shares in the possession of an employee hardly can be expected to create much enthusiasm.

The experience of companies with such schemes is that the appeal is strong and the results valuable with the salaried officers and those who can understand the full significance of the ownership of stock. With the rank and file, however, it has proved difficult to make the men realize that the sheet of paper really means ownership and a voice in the management of the company.

It is interesting to note that in England in 1919 there were forty-three new "co-partnership plans" as they are called in that country, in 1920, forty and in 1921 only three, while five of the 1919 plans and one of the 1920 creations were discontinued. There seems to be a slowing up in the extension of this kind of employee participation in that country which is explained by some as being the result of unsuccessful experiences on the part of those who have experimented with the schemes. Possibly, however, the slowing up of this movement in England may be due to business conditions and should not be taken as indication of a change in attitude until it has proceeded further.

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**Previous references to subject, pages 119, 155, 158, 170, 195, 220, 225, 241, 258, 271, 311, 324, 330, 337, 347, 369, 374, 383, 414, 415, 423, 439, 453, 454, 481, 492, 499, 500, 505, 508, 541, 553, 587, 603, 714, 742, 848, 884, 955.** 

# TYPE I. SOLD AT MARKET VALUE

| CONCERN Date Plan Established | ELIGIBILITY (Requirements) | STOCK OFFERED | TERMS OF PAYMENT | TERMS OF REDEMPTION | CONTRIBUTION OF FIRM | REMARKS |
|---|---|---|---|---|---|---|
| **American Multigraph Company** May 1, 1920 | None | Common 12,500 shares ($250,000) | $2 per share down $1 monthly | Stock non-assignable and non-transferable | 7% allowed on all partial payments — may be credited on shares | Payments returned if employee leaves before stock is paid up. Par is 20 |
| **American Sugar Refining Co.** Dec. 10, 1918 Dec. 20, 1919 | None | Common Preferred | $5, or multiple, down, equal payments thereafter. Two years to pay for 5 shares or less, 3 years for more than 5 | On demand, payments returned with 4% interest | | Accrued dividends paid when stock is paid up—minus 4% interest |
| **Joseph Knopf & Sons, Inc.** (Rochester, N. Y.) 1919 90% subscribers | 3 months' service | | | | | |
| **Gulf Coast Lines** (New Orleans, Texas & New Mexico Railway Company) Feb. 1, 1921 | None | Common 3,000 shares | 30 monthly payments | | 6% dividends, guaranteed for 30 months | 6% charged on deferred payments. Dividends charged against them |
| **Hilo Varnish Corporation** (Brooklyn, N. Y.) May, 1920 | 5 years' service | $150,000 | "Reasonable amount to each," paid by— (a)—Cash (b)—Dividends (c)—Salary deductions (d)—Profit-sharing bonus | | | |
| **Hydraulic Steel Co.** May, 1920 45% subscribers | American citizenship, 3 months' service | Common [84,998 shares subscribed—35% of outstanding common] | 12% of monthly wages down, 6% monthly thereafter, 50% of any profit-sharing. Yearly salary is maximum subscription | On leaving company receives stock paid for and remainder in cash less interest | | 6% interest on unpaid balances. Par is 40 |
| **Lehigh Valley R. R. Co.** June 22, 1920 | None | Common | Monthly deduction from salary of $5, or multiple thereof, per share | | | May buy 1, 2, 3, 4, 5, 10 or 20 shares. Receive 7% dividend on amount paid. Par is 50 |
| **New York Central R. R. Co.** Sept. 15, 1921 75,000 employees | None | | Monthly payments of $1 or multiple. At least 1-24th of month's wages. Maximum 15 shares | "No guarantee" of future price or dividends | "No charge for services of firm" | 6% charged on unpaid balances. Dividends credited. Balances turned over when stock is paid up. Par is 100 |
| **Pittsburgh Coal Co.** 1901 15,000 employees 12.77% subscribers | None | Common Preferred [19,703 shares subscribed] | Unlimited amount. Minimum $1 per share monthly —maximum 25% of pay. 5 years to pay up | On demand, payments returned with 5% interest. Cannot assign contract | $1 per share yearly to stock held by employees | Purchased through contract with employees' association |
| **Studebaker Corporation** Sept. 1, 1919 14,000 employees | 3 months' service | Common Preferred | Maximum 5 shares, not to exceed $300 or 20% of annual salary. 10% down, 40% in equal quarterly payments during 4 years | Under 6 months, payments returned; over 6, may buy stock or sell at market value and receive any balance | 50% if employee continues payments for 4 years | 6% interest on unpaid balances. Dividends credited |

## TYPE I. SOLD AT MARKET VALUE—Continued

| CONCERN Date Plan Established | ELIGIBILITY (Requirements) | STOCK OFFERED | TERMS OF REDEMPTION | TERMS OF PAYMENT | CONTRIBUTION OF FIRM | REMARKS |
|---|---|---|---|---|---|---|
| **Trumbull Steel Co.** Oct., 1920 5,000 employees, 1,500 subscribers | | Common [40,000 shares, $1,000,000 subscribed] | | | Bonus of $7 per share to employees holding stock until Jan. 1, 1925 | Par is 25. Sold at 27.50 |
| **Wheeling Steel Corporation** Aug., 1920 | | Common [1-40 of outstanding common subscribed — 10,300 shares—$824,000] | Minimum $3 per share monthly. Maximum 25% of monthly salary. Payments deducted from salary | | Bonus of $4 a year to those remaining with firm | 6% charge on unpaid balances. Dividends credited |
| **Hercules Powder Co.** (Wilmington, Del.) 1920 1,700 employees | None | Preferred | 2 to 5 shares, according to salary. Minimum $3 monthly per share. Maximum 25% of salary | Payments returned less 5% interest on unpaid balances | Bonus of $4 a year if held for 5 years | 5% interest on unpaid balances |
| **Hibernia Bank and Trust Co.** (New Orleans) 224 employees 45 subscribers | | | Maximum 5 shares, $10 down, $5 per share monthly | | | 5% interest on unpaid balances |
| **Standard Parts Company** (Cleveland) 1918 2,322 employees 60% subscribers | [Judgment of management] | Common | 10% down, $3 per share monthly | Refund on leaving firm | | |
| **Fuller & Smith** (Cleveland) 1916 80 employees 20 subscribers | [Judgment of directors] | | 10% down, personal note, with interest at 6% | Must give firm option of rebuying at sale price plus 10% | | Dividends credited against unpaid balance |
| **Thos. Devlin Mfg. Co.** (Burlington, N. Y.) | [Selected employees] | | $1000 to each employee. Paid for at $2 per week. Certificate issued for each $100 paid | In event of death, unpaid balance plus 6% returned | Guarantee against loss while stock is being paid for | Dividends on whole $1000 received while payments are being made |
| **Illinois Central R. R. Co.** | None | | Monthly deductions from salaries | | | |
| **Los Angeles Gas & Electric Corporation** Feb. 1, 1921 1,500 employees 50% subscribers | None | 6% cumulative preferred | Maximum 5 times monthly salary. 4¼ years to pay | | | Interest credits average 9.3% while payments being made |
| **Proctor & Gamble Co.** (Cincinnati) Jan. 26, 1920 | Any employee (except salesmen and traveling representatives) with maximum salary $2,000 | Common | Maximum, annual salary. Payments minimum 1-12 of 5% monthly and all profit-sharing dividends | Holding less than 1 year—payments returned plus 6%; over 1 year—stock (or may offer to company at market price) | Profit-sharing dividends of 10% first year to 20% after 10 years | Stock delivered as fast as paid up after 1 year's participation |
| Jan. 26, 1920 | Employees who have subscribed and paid up as above | $100 savings certificates, exchangeable for common stock | Maximum 5 certificates a year. Minimum payments, 5% of salary monthly | On leaving or on demand, payments returned with 6% interest | — | 6% interest paid. Certificates non-transferable |
| Jan. 26, 1920 | Employees not eligible under profit-sharing plan | Common | Maximum 1 year's salary, not to exceed $3000. $5 down, payments at any time within 6 years | If stock falls below cost within 6 years, firm returns cash plus 6% interest, if employee remains in service (maximum $3,000) | — | Dividends credited. Interest on unpaid balances 4% if 15% of stock is paid in each year, 6% if less |
| **Southern California Edison Co.** 1917 90% subscribers | | | 7½% of salary deducted | | | 8% dividends. 6% interest on unpaid balances |

# TYPE II. SOLD AT PAR

| CONCERN<br>Date Plan Established | ELIGIBILITY<br>(Requirements) | STOCK OFFERED | TERMS OF PAYMENT | TERMS OF REDEMPTION | CONTRIBUTION OF FIRM | REMARKS |
|---|---|---|---|---|---|---|
| **Canada Cement Co., Ltd.**<br>(Montreal) | None | Common<br>Preferred 7%<br>[1 share preferred to 3 shares common]<br>Amounts in discretion of Board of Directors | Minimum, $1 per share monthly | | | 5% interest on unpaid balances. Dividends credited. Stock held until paid up, 5 years' service and 2 years after allotment. Par is 100 |
| **Commonwealth Edison Co.**<br>(Chicago)<br>July 1, 1909<br>5,000 employees<br>2,360 subscribers | 1 year's service | Non-voting debenture | 3 or 5% of salary, paid within 4 days of pay day | Payments, less expenses, returned if not paid regularly | | Amount deposited with compound interest at 5% used to buy stock after 5 years |
| **Cleveland Twist Drill Co.**<br>Dec. 14, 1918 | 5 years' service | "Note and certificate of participation" | Sold in $10 or multiple thereof | May require 6 months' notice | | 6% interest paid semi-annually on payments |
| **Craddock-Terry Co.**<br>(Lynchburg, Va.) | | Second Preferred | Weekly or monthly payments for not more than 1 year | If sold before specified date, must offer to firm at par plus 6% from date of last dividend | | No interest on unpaid balances. Dividends received while stock is being paid for |
| **Eastman Kodak Co.**<br>(Rochester, N. Y.)<br>July 10, 1919 | 2 years' continuous service | Common<br>10,000 shares ($1,000,000), donated by Mr. Eastman and same amount offered by company | Maximum 2% of salary. May pay from dividends or as convenient | For acts prejudicial to firm, certificate may be annulled and payments returned minus interest | | Purchases subject to approval of Mr. Eastman, or firm, according to the stock |
| **Edmonds Shoe Co.**<br>(Milwaukee)<br>Dec., 1919 | | 7% preferred | Weekly payments allowed | | 3% additional interest | |
| **Elgin National Watch Co.**<br>(Elgin, Ill.)<br>Jan., 1921 | (a)—Under 5 years' service—4 shares<br>(b)—5 to 15 years—6 shares<br>(c)—15 to 25 years—8 shares<br>(d)—Over 25 years—10 shares | | Amount of bonus minimum payment in January. Monthly payments of $10 | Leaving firm, employee must offer it stock at par plus increase in book value | No interest charged on unpaid balances | Dividends credited<br>Par is 25 |
| **Goodyear Tire and Rubber Co.**<br>(Akron, O.)<br>Nov., 1919<br>15,000 subscribers<br>——<br>April 1, 1920<br>——<br>June 2, 1920<br>1,496 subscribers<br>[1921—$12,000,000 stock owned by employees] | None<br>——<br>None<br>——<br>None | Preferred<br>(Over $5,000,000 subscribed)<br>——<br>Preferred 7%<br>($5,000,000)<br>——<br>3 share blocks<br>Preferred—2<br>Common—1<br>($582,700 sold) | Maximum 20 shares. $1 weekly or $4 monthly per share<br>——<br>Same as above<br>——<br>25% down, balance June 25, 1920 | Payments returned on request with 4% interest<br>——<br>Same as above<br>—— | 3% bonds for 5 years to employees holding stock and in service<br>——<br>Same as above<br>—— | 5% interest on unpaid balances. Par is 100<br>——<br>Same as above<br>—— |
| **W. H. McElwain Co.**<br>(Manchester, N. H.)<br>June 21, 1920<br>[Discontinued upon merger with International Shoe Co.] | 6 months' service | Second Preferred<br>[No vote ordinarily] | Full payment with subscription | Firm will try to find another employee to buy | | Stock sold at par (50) plus accrued and unpaid dividends. Regular dividend 6%. Extra dividend 3% |

## TYPE II. SOLD AT PAR—Continued

| CONCERN Date Plan Established | ELIGIBILITY (Requirements) | STOCK OFFERED | TERMS OF PAYMENT | TERMS OF REDEMPTION | CONTRIBUTION OF FIRM | REMARKS |
|---|---|---|---|---|---|---|
| **Liggett & Meyers Tobacco Co.** March, 1920 | | Common and Common B [21,496 shares offered] | | | | |
| **Libby, McNeill & Libby** (Chicago) June, 1920 | 6 months' service | 640,000 shares (140-000 on deferred payments) | 10 to 50 shares. 2 years to pay | | | Par is 10 |
| **Midvale Steel & Ordnance Co.** | None | | Monthly payments, minimum $4, maximum 25% of salary. Number of shares fixed by monthly wage. Maximum 20 | | | Par is 50 |
| **New England Power Co.** (Worcester, Mass.) Jan. 30, 1920 | None | Preferred | Monthly payments $2 per share. Maximum, one-fifth of monthly salary | Payments returned plus 6% interest | Annual bonus for holding stock —$1 first year to $4 the seventh | 6% interest on amount paid in until stock is paid up; then regular dividends |
| **Rochester Folding Box Co.** (Rochester, N. Y.) 76% subscribers | None | "Employees' Preference Stock" [1000 shares offered and subscribed] | 10% down, $2 per share weekly | Death—Firm will buy for $110<br>Retirement—Will buy for $130<br>Others leaving firm must sell at $101 | | 8% dividends before any are paid on other stock, and share profits after all dividends are paid. 8% on all cash paid in |
| **Strathmore Paper Co.** (Mittineague, Mass.) July 1, 1920 | 6 months' service | "Employees'—preferred 7% cumulative [$500,000 offered, $10 a share] | Maximum $2,500. Weekly payments allowed, minimum $1 | Must be offered to firm on death or leaving, 30 days' option at $10.30 | Service dividend—<br>1 to 5 years—1% yearly<br>5 to 10—2%<br>10 to 15—3%<br>15 to 20—4%<br>Over 20 or retired —5% | Special stock, no voting rights |
| **Niagara Falls Power Co.** Jan. 30, 1920 600 employees 92% subscribers | 6 months' service | Common | 25 cents per share weekly | Payments returned plus 4% interest quarterly | 6% annually, plus amount equal to dividends, over 4% on same shares of common stock [Extra compensation ends when stock is issued] | Par is 100 |
| **Swift & Co.** [Employees' Stock Investment Plan] 10,000 subscribers | None | | 1 to 50 shares [As many as can be paid for in 2 years] 10% down, 6 months' note at 5% interest | — | — | 8% dividends begin at once |
| [Employees' Stock Savings Plan] June 2, 1919 13,000 subscribers | None | Treasury Stock | 1 to 5 shares, according to salary. $1 weekly per share | | | — |

# TYPE II. SOLD AT PAR—Continued

| CONCERN Date Plan Established | ELIGIBILITY (Requirements) | STOCK OFFERED | TERMS OF PAYMENT | TERMS OF REDEMPTION | CONTRIBUTION OF FIRM | REMARKS |
|---|---|---|---|---|---|---|
| **American La France Fire Engine Co.** (Elmira, N. Y.) Sept. 1, 1920 | 3 months' service | Preferred non-assessable cumulative 7% stock [7,500 shares] | Maximum 30 shares. Minimum $1 weekly or $4 monthly per share. Two-year limit to pay | Payments returned plus 5% interest. Stock must be sold to firm at 120 plus accrued dividends | 10% of amount of subscription. $3 per share yearly for 5 years if stock is retained and "proper interest" shown | 5% interest on unpaid balances. Dividends credited. Par is 100 |
| **E. I. Du Pont de Nemours & Co.** Nov., 1920 [revised plan] 35% subscribers | 1 year's service | Non-voting 6% debenture stock | Installment payments arranged for | | Rate of "service payments"— 1 to 2 years—1% 2 to 4 years—2% 4 to 7 years—3% 7 or over—4% | "Guarantee par 100" Extra "participating payments" if net earnings are over 8%; 8 to 9%, 1%, etc. 12 or over —5% |
| **Great Northern Railway Co.** (St. Paul) 1900 | Maximum salary $3000 3 years' service | 11,880 shares | $10 shares in "Great Northern Employees' Investment Co., Ltd." | | Firm bears expenses of management | |
| **Cleveland Worsted Mills Co.** 1905 5,000 employees | 1 year's service | | 5% down. Personal note with 5% interest | If sold within 3 years, company has option at 105 | | |
| **Penton Publishing Company** (Cleveland, O.) 1917 200 employees 72 subscribers | 2 years' service | Second Preferred guaranteed 8% stock [2,000 shares, 375 subscribed] | Allotment according to salary. Maximum 10% of salary. 10 equal monthly payments | Fund of 10% of outstanding stock maintained for taking it up | | 6% interest on unpaid balances |
| **Russ Manufacturing Co.** (Cleveland, O.) 1915 190 employees 60% subscribers | 1 year's service | Common | 1 year's service 5 shares—$1 weekly 2-10 shares—$2 weekly 3-20 shares—$4 weekly | Payments returned plus accrued dividends | | 10% dividend guaranteed for 5 years; credited on unpaid balances |
| **National Carbon Company** (Cleveland, O.) June 9, 1916 | None | Common [5,000 shares] | According to salary payments in 3 to 5 years. Minimum 1% monthly, maximum, 1-3 in 1 year | Payments returned plus 4% interest | $5 per share yearly for 5 years | Dividends credited. 4% interest on unpaid balances |
| **Crane Co.** (Chicago) | None | $10,000,000 cumulative 7% preferred offered ["Large amount sold"] | Monthly payments | | "Rebates based on length of service" | Dividends begin at time of subscription |
| **General Electric Company** 30,000 subscribers | None | Employees' 7% investment bonds, series of 1921 ($10, $50, $100, $500, $1,000) 50 cents employee's subscription stamps, 20 exchanged for $10 bond. Maximum $1,000 | $10 bonds, cash Others: 50 weekly payments, 10 monthly or quarterly. Maximum $1,000 | Must be returned for redemption within six months after leaving firm | | |

# TYPE II. SOLD AT PAR—Concluded

| CONCERN Date Plan Established | ELIGIBILITY (Requirements) | STOCK OFFERED | TERMS OF PAYMENT | TERMS OF REDEMPTION | CONTRIBUTION OF FIRM | REMARKS |
|---|---|---|---|---|---|---|
| **Pilgrim Steam Laundry Co.** Oct. 18, 1921 313 employees | 3 months' service | 2,000 shares | Minimum, 2 shares, may be paid at once, or part down, and minimum, 50 cents per share weekly. 1 year to pay up | Payments returned on leaving before paying up. Firm has option on repurchase at "fair and reasonable price" | | No dividends until paid up. Sold at 25 |
| **American Telephone & Telegraph Co.** May 1, 1921 [See other plans, Type III] | 6 months' service | | 1 share for each $300 of annual salary. Maximum 50 shares a year. $3 monthly per share from salary | Payments returned with 4% interest quarterly if subscription agreement is sold or pledged, 8% on death, 6% on leaving or withdrawal | | Par is 100. Interest at 8% quarterly on payments; no dividends while paying |
| **Deere & Co.** (Moline, Ill.) Nov. 1, 1919 | 1 year's service | 7% cumulative preferred [5,000 shares] | Maximum 25 shares (also annual salary). $2 monthly per share | Payments returned plus 5% interest | $3 per share annually | Dividends credited. 5% interest on unpaid balances |
| **Telling-Belle Vernon Co.** | American citizenship 1 year's service | Common | 1 year's service—5% of year's salary<br>2 years' service—6%<br>3 years' service—7%<br>4 years' service—8%<br>5 years' service—10%<br>10% down, 10% monthly | Payments returned plus 6% interest | | 6% interest on unpaid balances. Dividends credited. Par 20 |
| **Noyes Bros. & Cutler, Inc.** | 6 months' service<br>—<br>For executives only | $100,000<br>—<br>"Managers' stock" (amount fixed annually) | Maximum amount, annual salary. $5 or $20 per share weekly<br>— | — | — | —<br>$1 par, issued in varying amounts |
| **Roycrofters** (East Aurora, N. Y.) 1919 300 employees 50% subscribers | | Preferred | 20% down, $1 or $2 weekly | | | 8% dividends. Par 50 |
| **C. & G. Cooper Co.** 500 employees [Plan withdrawn] | | Preferred (500 shares) | Minimum $5 monthly. Maximum 25% of annual salary. 2 years to pay up. | Stock callable at par plus accrued dividends. Payments returned plus 7% interest | $3 per share annually for 5 years, in cash, or collected on unpaid stock | Par 100. 6% interest on unpaid balances. 7% dividends credited |

# TYPE III. SOLD AT A DISCOUNT

| CONCERN<br>Date Plan Established | ELIGIBILITY<br>(Requirements) | STOCK OFFERED | TERMS OF PAYMENT | TERMS OF REDEMPTION | CONTRIBUTION OF FIRM | REMARKS |
|---|---|---|---|---|---|---|
| **American Telephone & Telegraph Co.**<br>Jan. 1, 1915<br>78,500 eligible<br>34,000 subscribers | 2 years' service | | $2 per share monthly | | | $6 discount. Dividends credited. 4% interest on unpaid balances |
| March 1, 1916<br>[See later plan, Type II] | 2 years' service | 33,000 shares | $3 per share monthly. 1 share for each $300 of salary. Maximum 10 shares | Payments returned plus 4% interest | — | $9 discount. Sold at 118. Dividends credited. 4% interest on unpaid balances |
| **American Woolen Co.**<br>May, 1921 | None | Common | $1 per share weekly. Maximum 20 shares | Balance paid in returned with 5% interest on demand or on leaving firm. 6% interest allowed in event of death | $12.50 per share after 5 years' ownership and "proper interest shown in firm's welfare" | Dividends credited. 5% interest on unpaid balances. Sold at 66.50 |
| **Boston Woven Hose & Rubber Co.**<br>Jan. 1, 1918<br>1,400 employees | Minimum salary $1,200<br>2 years' service | Common<br>[500 shares yearly for 5 years] | Allotment according to salary and length of service. May take 50% of allotment. 10% or 5% of salary deducted | Payments returned on demand or on leaving firm plus 5% interest. [In some cases plus part of difference between purchase and market prices] | | Stock not property of employee for 5 years. Dividends credited. 5% interest on unpaid balances. Sold at 4/5 of market price |
| **Brier Hill Steel Co.**<br>(Youngstown, O.)<br>Dec. 14, 1920 | None | Common<br>(15,000 shares) | 5 to 45 shares, according to salary (under $1,500, 5 shares). 50 cents per share monthly deducted from wages. Maximum payment 25% of wages. 3 years to pay up | Balances paid in returned plus 5% interest | Bonus for employees remaining with firm and holding stock:<br>1 year — $1 per share<br>2 years—$2.50<br>etc.<br>5 years—$3 | Dividends credited. 5% interest on unpaid balances<br>Sold at 27. No guarantee of future dividends or value of shares |
| **Samuel Elman Co.**<br>(Schenectady, N. Y.)<br>Feb., 1920<br>200 subscribers | None | Common | 10% a year—weekly or annual payments | Payments returned on leaving firm; stock must be given up | | "Value $100 a share"—sold for 80 |
| **General Electric Co.**<br>Nov., 1920 | 2 months' service | | $1 per share weekly or $4 monthly. 1 to 10 shares | Payments returned plus 7% interest on demand or on leaving firm | | Dividends credited. Interest charged against unpaid balances. Discount of 20 (from 136 to 116) |
| **B. F. Goodrich Co.**<br>July 1, 1920 | 3 months' service | Common | 1 share for each $300 of annual salary. 25 cents weekly or $1 monthly per share. 4 years to pay up | Payments returned plus 6% interest | Bonus for employees remaining with firm and holding stock:<br>1 year — $1 per share<br>2 years—$2, etc.<br>5 years—$5 | Dividends credited. 6% interest on unpaid balances [Price fixed by company] |

## TYPE III. SOLD AT A DISCOUNT—Continued

| CONCERN Date Plan Established | ELIGIBILITY (Requirements) | STOCK OFFERED | TERMS OF PAYMENT | TERMS OF REDEMPTION | CONTRIBUTION OF FIRM | REMARKS |
|---|---|---|---|---|---|---|
| **Imperial Oil, Ltd.** (Toronto) April, 1920 6,000 employees | 1 year's service | | Definite amount at regular intervals for 12 months | (a)—Depositor less than 2 years — cash or stock plus 6% (b)—2 to 5 years—stock plus 6% (c)—Over 5—stock plus firm's contribution | 50% of employee's deposits | Market price 125-135. Sold at 75. Price fixed annually |
| **Lehigh Coal & Navigation Co.** Jan., 1921 | None | 2,500 shares | Under $1,500 yearly, 2 shares, over $1,500 5 shares. Minimum $5 monthly | Payments returned plus 4% | $2 annually for 5 years if stock is retained and employee remains with firm | Dividends credited. 4% interest on unpaid balances. Sold at 65. |
| **Lincoln Motor Co.** (Detroit, Mich.) April 1, 1920 | None | Class A (5% cumulative, generally no vote) | Allotment by firm. $5 per share down. $1 minimum per share monthly | Payments returned with balance if stock is sold | | Par is 50 Sold at 40 |
| **Schulte Retail Stores Corp.** Dec. 1, 1920 | None | Common (8,000 shares) | | 40—1st year 46—2nd year 52—3rd year 58—4th year 64—5th year | | Sold at 40 10% dividends guaranteed for 4 years |
| **Standard Oil Co. of New Jersey** Jan. 1, 1921 | 1 year's service | Common | Regular deposits into fund held by trustees (maximum 20% of salary) | Payments returned on demand or on leaving firm, plus 6% | 50% of employee's deposits | Price fixed annually 1921=155 Par is 25 |
| **United States Steel Corp.** 1903 225,000 employees 66,311 subscribers | None | Common (1903 - 1909 preferred. 1909 - 1916—both) [186,600 shares subscribed] | 1 to 15 shares, according to salary. $2 per share monthly minimum. Maximum 25% of salary | Payments returned plus 5% interest | $5 yearly for 5 years | Sold at "Usually a little less than prevailing market price." Dividends credited. 5% interest on unpaid balances |
| **Wheeling Steel Corp.** (Wheeling, W. Va.) April 1, 1920 | None | Common (8,000 shares) | 1 to 15 shares, according to salary. From $3 to 25% of salary per share monthly. 3 years to pay up | Payments returned plus 6% interest | $4 yearly for 5 years | Sold at 80. Dividends credited, 6% interest on unpaid balances |
| **Atlas Powder Co.** (Philadelphia, Pa.) 1920 | None | Preferred | Maximum, 30 to 40% of annual salary | | $2 yearly for 5 years | Sold at 91. 5% interest on unpaid balances, computed monthly |
| **Dutchess Bleacheries, Inc.** (Wappinger Falls, N. Y.) 1920 | None | 7,000 of the 27,000 outstanding shares | $10 down and $1 weekly per share | | | Sold at 40, or 20% below market. 6% interest on unpaid balances |
| **Cleveland Hardware Co.** 1912 (revised 1918, 1919, 1920) 2,500 employees 3% subscribers | "Executives and employees in responsible positions" | | 10 semi-annual payments | Payments returned on leaving. Firm may rescind contract and return payments | | New contract drawn for each sale. 6% interest on unpaid balances |

## TYPE III. SOLD AT A DISCOUNT—Concluded

| CONCERN Date Plan Established | ELIGIBILITY (Requirements) | STOCK OFFERED | TERMS OF PAYMENT | TERMS OF REDEMPTION | CONTRIBUTION OF FIRM | REMARKS |
|---|---|---|---|---|---|---|
| **Youngstown Sheet & Tube Co.** | "Selected managerial employees" | Common | 10% down, 90% during 2 years | Payments returned plus 10% dividends | | Employees agree to remain with firm for 2 years. Dividends credited. 6% interest on unpaid balances |
| **E. I. du Pont de Nemours & Co.** 1920 | 2 years' service | Non-voting debenture (9,000 shares) | 3 to 6 shares, according to salary. Minimum, $3 per share monthly | Payments returned with stock bought, less interest due | Guarantee of $9 dividends for 5 years to employees holding stock | 5% interest on unpaid balances. Sold at 93 |
| **American Rolling Mill Co.** 1920 | 1 year's service | Common | 1 to 130 shares, according to salary. $1 minimum per share monthly. 4 years to pay up | Payments returned with 6% interest | | Par is 50. Sold at 47. Dividends while paying applied to discount and 6% interest on unpaid balances |

## TYPE IV. GIVEN TO EMPLOYEES

| CONCERN Date Plan Established | ELIGIBILITY (Requirements) | STOCK DISTRIBUTED | TERMS OF REDEMPTION | REMARKS |
|---|---|---|---|---|
| **Baker Mfg. Co.** (Evansville, Wis.) 1899 150 employees | 4500 hours' service. Must not have sold any stock | Common [$768,000 from 1900 to 1919] | Stock left on deposit with firm. Firm may buy if employee works for competitor, works for another for 5 years, or goes into business for himself | After paying 5% dividends and 10% sinking fund, profits divided 50-50, and distributed in proportion to earnings, 90% in stock. |
| **Brooklyn Edison Co.** Dec. 12, 1910 3100 employees 32% subscribers | 2 years' service | | | Profit-share certain percentage of wages. Receives after<br>2 years' service—¼ dividends<br>3 years' service—½ dividends<br>4 years' service—¾ dividends<br>5 or more—full dividends<br>Stock credited for 3 years. Credits forfeited if discharged for misconduct or leaving without month's notice. Allowance for exceptional cases (death, etc.). |
| **Boston Consolidated Gas Co.** 1,357 employees 839 subscribers | "Selected employees, at least 6 months' service" | Preferred Stock of Mass. Gas Co. [$761,612.26 in 14 years] | Shares not to be sold without approval of directors | Profit-sharing dividends credited toward shares of stock |
| **Dennison Mfg. Co.** (Framingham, Mass.) | (a) 18 years of age, 2 years' service<br>(b) 7 years' service and $1200 salary or 6 years and $1500, or 5 years and $1800 | "Employees' Industrial Partnership Stock"<br>"Managerial Industrial Partnership Stock" | Must be turned in on leaving firm for cash or 2nd preferred (1 share for 10 of I. P.) | I. P. stock distributed according to length of service.<br>I. P. stock loses votes if preferred stocks are in arrears four years<br>Average cash dividends on I. P. stock, 9½%<br>I. P. stock issued at par, 10. Non-assignable and non-transferable |

## TYPE IV. GIVEN TO EMPLOYEES—Continued

| CONCERN Date Plan Established | ELIGIBILITY (Requirements) | STOCK DISTRIBUTED | TERMS OF REDEMPTION | REMARKS |
|---|---|---|---|---|
| Glen-Gery Shale Brick Co. (Reading, Pa.) | | | If employee dies within 10 years, firm will buy back stock | $100 share given each employee annually for 10 years. Dividends paid on $100 first year, $200 second, etc. |
| Harvard Knitting Mills (Wakefield, Mass.) Jan. 1, 1920 800 employees | 1 year's service | "Certificates of ownership" | Holdings cashed on discharge. Within 1 year if leaving voluntarily | 50% of profits credited to "employee-partners," half-paid in cash, half in certificates paying "a high rate of interest" |
| Henry A. Dix & Co. (New York) April, 1920 | Managers, department heads and foremen | Common ($100,000) | | 10% dividends guaranteed. Annual bonus 20% cash, 80% in stock |
| International Harvester Co. Jan. 1, 1920 | (a) Executive and managerial positions. 1 year's service | Common | — | Extra compensation of 20% of all profits over 7% paid yearly, half in cash, half in stock |
| Jan. 1, 1920 | (b) Non - executive workers. 1 year's service | Preferred 7% cumulative | | 40% as above, half in cash, half stock. May use cash bonus to buy preferred stock. Smaller payments allowed to accumulate to $100 with 7% interest |
| Larkin Co. (Buffalo, N. Y.) July, 1919 | Chosen by directors for interest shown. [Must be 21 years old, American citizen and in service 3 years] | Common ($10,000,000) | On leaving firm (except retirement) must (a) sell stock to firm, (b) take 6% note of firm for 6 months, (c) exchange for 2nd preferred if firm desires | Employees eligible receive stock equal to one-tenth of annual salary times number of years less 3 he has been employed<br>May also buy common stock to 20% of annual salary |
| M. Lowenstein & Sons, Inc. (New York) July 1, 1920 | 3 years' service. "Others who in firm's judgment merit reward" | First Preferred ($100,000) | | Stock held in trust until Oct. 1, 1922. Forfeited if employee leaves firm before date. Delivered to estate if he dies, or to woman marrying. |
| New Haven Gas Light Co. April, 1907 525 employees | Approval of executive officers and board of trustees. | 7033 shares issued, 3394 retained by employees still with firm | Request that stock be offered to firm first if sold | 8% profit sharing quarterly in form of credit changed to stock as soon as large enough. 50% reduction if profit-sharing dividend is taken in cash. |
| Pittsburgh, Butler & Harmony Consol. Railway & Power Co. 400 employees | None | Common ($1,000,000) | | Stock held as a trust fund. Dividends divided equally among the employees. Voting power of stock remains with president of company, but employees elect three directors |
| Remy Electric Co. (Anderson, Ind.) April, 1920 | "140 of the older employees" | | | $140 to $170 shares of General Motors stock, to be delivered in 1 year. Annual bonus to older employees |
| John B. Stetson Co. (Philadelphia) 1902 25% subscribers | | 6000 shares | On leaving firm, receives as much as par value has accrued | Paid for by profit-sharing dividends in 5 years, then held in trust for 10 years (employee receiving the dividends) |

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